



H.R. 1, OBBBB* – The Big Picture

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Episode 1

*P.L. 119-21 (7/4/25), An Act to provide for reconciliation pursuant to title II of H.Con.Res. 14.
<https://www.congress.gov/bill/119th-congress/house-bill/1>

The Process for OBBB

- ❖ Key tax goal – deal with TCJA provisions expiring at end of 2025, cut back or repeal IRA energy credits
- ❖ Budget reconciliation bill process used:
 - ❖ Only needs 51 votes in Senate
 - ❖ Many restrictions:
 - ❖ Provisions must deal with revenue
 - ❖ Can't include any change to Social Security
 - ❖ Can't lose revenue in years 11 and beyond after enactment.
 - ❖ Must have word “reconciliation” in title
 - ❖ H.R. 1, P.L. 119-21 is called: An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14
 - ❖ Likely we'll call it OBBB for One Big Beautiful Bill

Final Legislation Key Dates

5/22/25 – OBBB (H.R. 1) passed in House by vote of 215-214

- Rs voting no: Davidson (OH), Massie (KT)
- Voting present: Harris (MD)
- Not voting: Garbarino (NY), Schweikert (AZ)

6/11/25 - H.Res. 492, Directing the Clerk of the House of Representatives to make a correction in the engrossment of H.R. 1. – removed ERC changes and some non-tax changes

6/16/25 – Senate Finance Committee releases tax provisions

6/27/25 – Senate releases OBBB

6/28 – Senate vote to *advance* the bill (51-49)

- Senators Paul and Tillis voting no

7/1/25 – passed in Senate by vote of 51-50 (VP voted to break tie) & sent to House

- Rs voting no: Collins (ME), Paul (KT), Tillis (NC)

7/3/25 – House voted on Senate version by vote of 218-214

- Rs voting no: Fitzpatrick (PA), Massie (KT)

7/4/25 – President Trump signed bill to become **P.L. 119-21**

Big Picture – Reminders for any big, fast-moving bill

- ❖ Do we have the final version of the legislation?
 - ❖ While bill signed by President Trump on 7/4/25, at 7/8/25, congress.gov website only has Engrossed Senate Amendment version (870 pages) rather than the Enrolled Bill or the Public Law. But available version seems to be version passed by House and sent to President.
- ❖ Things moved quickly and changes were made in process
 - ❖ Firms and others wrote summaries of bills that might continue to be posted on social media even after an updated bill was out.
 - ❖ Be sure what you are reading deals with latest version of the legislation (ideally the Public Law version).
 - ❖ Best to confirm with final version of H.R. 1 (P.L. 119-21).
- ❖ What's included?
 - ❖ Just over 100 tax changes.
 - ❖ Lots more than tax changes included (hence, Big ... Bill)

Revenue Estimates - Cautions

- Cost & Distributional Effects of H.R. 1
 - Are they measuring only tax items or entire bill?
 - Is interest expense on deficit borrowing included?
 - Is it measured using current tax policy (Senate) or current tax law (traditional way to measure cost – against current law which for 2026 and beyond had higher rates, lower std deduction and CTC, no 199A deduction, etc.)
- CBO and JCT Revenue Estimates Over 10 years for tax changes:
 - Current Policy baseline \$693 billion
 - Current Law baseline \$4.5 trillion

Cautions on Misinformation

- SALT cap workaround of Notice 2020-75 still only benefits passthroughs (not sole proprietors). So, watch for statements that helps all businesses, but higher SALT cap does help all individuals with SALT above \$10K who itemize.
- Even elected officials and gov't agencies may be describing parts incorrectly.
- Example: 7/3/25 release from Social Security Administration

The new law includes a provision that eliminates federal income taxes on Social Security benefits for most beneficiaries, providing relief to individuals and couples. Additionally, it provides an enhanced deduction for taxpayers aged 65 and older, ensuring that retirees can keep more of what they have earned.

Incorrect

Social Security remains committed to providing timely, accurate information to the public and will continue working closely with federal partners to ensure beneficiaries understand how this legislation may affect them.

+

<https://www.ssa.gov/news/press/releases/2025/#2025-07-03>

H.R. 1 TAX Table of Contents for Title VII - Finance

For detailed table of contents, see H.R. 1 or JCT's most recent revenue estimates such as JCX-35-25 (7/1/25)

- Subtitle A – Tax
 - Chapter 1 – Providing Permanent Tax Relief for Middle-Class Families and Workers
 - Chapter 2 – Delivering on Presidential Priorities to Provide New Middle-Class Tax Relief
 - Chapter 3 – Establishing Certainty and Competitiveness for American Job Creators
 - Chapter 4 – Investing in American Families, Communities, and Small Businesses
 - Chapter 5 – Ending Green New Deal Spending, Promoting America-First Energy, and Other Reforms
 - Chapter 6 – Enhancing Deduction and Income Tax Credit Guardrails, and Other Reforms
- Subtitle B – Health
 - Chapter 1 – Medicaid [not Title 26]
 - Chapter 2 – Medicare [not Title 26]
 - Chapter 3 – Health Tax [PTC, HSA, more]
 - Chapter 4 – Protecting Rural Hospitals and Providers [not Title 26]

H.R. 1 Cautions to Avoid Confusion

Names of some of the titles in the legislation are misleading. Examples:

- Chapter 1 – Providing Permanent Tax Relief for Middle-Class Families and Workers
 - All individuals have reduced rates, higher standard deduction and middle to higher get \$2,200 child tax credit per child under age 17 while some lower income only get \$1,700 refundable portion of CTC adjusted for inflation after 2024. MFJ with MAGI above \$400,000 have phaseout.
- Chapter 4 – Investing in American Families, Communities, and Small Businesses
 - Subchapter D – Permanent Investments in Small Business and Rural America
 - Increases gross assets limit of small business C corp from \$50 million to \$75 million for §1202 gain exclusion (far larger than most small businesses and most small businesses don't operate as a C corp)

Cautions about OBBB tax changes

- ❖ Most temporary TCJA provisions made permanent, some enhanced.
- ❖ Some new rules are narrow provisions affecting some individuals, businesses and tax-exempts
- ❖ Some provisions apply differently depending on size or other factors of affected taxpayers
- ❖ Variety of effective dates including 1/1/25 or earlier
 - ❖ Retroactive changes are mostly tax reductions, but some taxpayers will face unexpected tax increases
- ❖ Some unexpected termination dates including in 2025
 - ❖ Let clients know ASAP, such as for individual energy credits expiring soon (rather than 2032).
- ❖ Some new requirements regarding SSN and need to file MFJ to get some benefits
- ❖ New and changed information reporting obligations
- ❖ New phaseouts relevant to planning and how new rules are presented to clients
- ❖ For new deductions, important to understand where they fall in the taxable income formula
- ❖ Some new provisions are temporary
- ❖ Some provisions will encourage taxpayers to improperly reduce their taxes; tax pros will need to ask more questions of clients
- ❖ Lots of new complexity and need for IRS guidance
- ❖ What will states do? Even rolling conformity states may not conform to all due to costs.

H.R. 1 NEW Individual Provisions Include

- \$6,000 add'l deduction for seniors.*
- Permanent above-the-line deduction for cash donations of \$1,000 (\$2,000 MFJ).
- 0.5% floor on itemized charitable donation deduction.
- §68 limit of tax benefit of itemized deductions for high income individuals.
- 90% limit on wagering losses.
- New §25F, Qualified Elementary and Secondary Education Scholarships.
- Expansion of eligible expenditures from Section 529 account.
- Tip deduction at new §224.*
- Overtime deduction at new §225.*
- Interest deduction for certain new car loan.*
- Trump Accounts at new §530A including \$1,000 for account for eligible child born in 2025 through 2028.
- IRC §4475 Remittance Tax – 1% excise tax on certain transfers, starting in 2026.

*Starts for 2025

H.R. 1 NEW Business & Tax-Exempt Provisions

- Expensing of “qualified production property” under new §168(n) if placed in service after 7/4/25.
- 1% floor on charitable donations of corporations.
- New tiered rate structure and other modifications to §4958, Excise Tax Based on Investment Income of Private Colleges and Universities



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Highlights of Retroactive Provisions for 2025 (or earlier) – Tax Cuts

- Slight increase to standard deduction.
- Increased child tax credit from \$2,000 to \$2,200.
- SALT cap increase to \$40,000 with phaseout starting at MAGI of \$500K (but can't be lower than \$10,000).
- Enhancements to adoption credit and inclusion of Indian Tribal gov't for special needs reference.
- Use of 529 funds for certain postsecondary credentialing expenses, starting for distributions after 7/4/25.
- \$1,000 for Trump account for eligible child born in 2025 (through 2028).
- Deductions for tip and overtime income.
- Interest on certain personal car loans.
- Treatment of certain federal disasters as “qualified disasters” apparently for disasters declared 1/1/20 and on or before 8/2/25 if incident prior begins on or after 12/28/19 and on or before 7/4/25. [SEC. 70438; ck for update in Pub 547]

Highlights of Retroactive Provisions for 2025 (or earlier) – Tax Cuts - continued

- Expensing of domestic R&D.
- 100% bonus depreciation (rather than 40%) for eligible property placed in service after 1/19/25.
- Increased §179 amounts (\$2.5 and \$4 million).
- Expensing of “qualified production property” under new §168(n) if placed in service after 7/4/25.
- Higher interest expense limitation under §163(j) (EBITDA limitation of earnings before interest, taxes, depreciation, and amortization) for tax years beginning after 12/31/24.
- Permanent renewal and enhancement of opportunity zones with some aspects effective 7/4/25, others for tyba 7/4/25, others later.

Highlights of Retroactive Provisions for 2025 (or earlier) – Tax Cuts - continued

- % Completion exception for certain residential construction contracts entered into in tyba 7/4/25.
- 1099-K issued under §6050W by TPSO reverts to original de minimis threshold of over \$20K or payments & over 200 transactions.
- Expensing of certain qualified sound recording productions under §181 for productions commencing in tax years ending after 7/4/25.
- New §139L, Interest on Loans Secured by Rural or Agricultural Real Property, for tax years ending after 7/4/25.
- New §1062 on gain from qualified farmland property for sales/exchanges in tax years beginning after 7/4/25.
- Elimination of tax on certain firearm devices under §5811 for calendar quarters beginning over 90 days after 7/4/25.

Highlights of Retroactive Provisions for 2025 (or earlier) – Tax Increases

- Requiring individual claiming child tax credit to not only have an SSN for the child (same as TCJA law), but also the filer. If filer married, at least one spouse must have SSN).
- ERC for last 2 quarters of 2021 (allowed under IRC §3134) denied if claim was filed after 1/31/24 + new promoter penalties.

Acceleration of Termination Dates of Energy Credits

Ending in 2025 rather than 2032!

- Clean Vehicle credits under §25E (used), §30D (new) and §45W (commercial) – must place in service by 9/30/25.
- Residential Energy Credits under §25C and §25D
 - Terminate 12/31/25 – must have property installed by that date.

- §30C Alternative Fuel Vehicle Refueling Property Credit – terminates 6/30/26.
- Most business energy credits also have accelerated termination dates
 - See SEC. 70507 through SEC. 70522, also several lengthy changes.

H.R. 1 Key Individual Provisions with New Filing Restrictions or Easily Overlooked Limitations

Some provisions only available to married couple if file jointly (MFJ):

- \$6,000 add'l deduction for seniors
- Tip deduction at new §224.
- Overtime deduction at new §225.

Some provisions only available if taxpayer has SSN:

- \$6,000 add'l deduction for seniors.
- Tip deduction at new §224.
- Overtime deduction at new §225.
- Exclusion for student loan discharged due to death or disability.
- Trump Accounts and \$1,000 gov't contribution pilot program.
- AOTC and LLC starting 2026.

Deductible interest on car loan must be a new car (+ other restrictions).

H.R. 1 – New Planning Considerations for Individuals

- Watch for increased marginal rates when a phaseout starts, such as for the SALT cap and senior deduction.
- Analyze all aspects of a transaction before doing it solely due to a new tax break to be sure it is worth it. For example, new deduction on new car loan is limited and the tax savings are smaller than differential between buying new versus used vehicle and more expensive new vehicle versus a less expensive new vehicle.
 - Example: See presenter [blog post of 7/6/25](#) on interest deduction for certain car loans (at 21st Century Taxation blog).

H.R. 1 – New Planning Considerations for Individuals - more

Individual energy credits expire this year!

- Residential energy credits – must install by 12/31/25
 - §30D solar panel credit is 30% with no dollar limits and it carries forward.
- Clean vehicles – take possession by 9/30/25

Increased estate and gift exemption of \$15 million.

Trump Accounts and decisions on what all to fund including 529 and 530 accounts.

Health insurance due to changes in PTC under §36B and Health Savings Accounts under §223.

- Example: H.R. 1 does not extend temporary removal of PTC eligibility that household income can exceed 400% of Federal Poverty Line which expires after 2025.

H.R. 1 Changes Relevant to Choice of Entity

- TCJA lowered rate structure made permanent.
- 20% QBI deduction of §199A made permanent.
 - Sole proprietor w/o employees might want to consider S corp if increases deduction.
- SALT cap raised through 2029. If non-C corp business has income resulting in taxes above the cap, consider p/s or S corp form to take advantage of PTET if available at state level and for entity.
- Increase in dollar amounts under §1202 gain exclusion for qualified small business stock of C corporations.

New Compliance Concerns Include

Fewer 1099s:

- Increased filing thresholds for 1099-NEC and 1099-K to \$2,000 starting in 2026.
- Return to higher de minimis threshold under §6050W for 1099-K by TPSO to over \$20,000 of payments and over 200 transactions, effective as if \$600 threshold never enacted

Temptations to claim benefits w/o documentation:

- Above-the-line charitable contribution deductions starting in 2026 for cash donations:
 - \$1000 (\$2,000 if MFJ)
 - Documentation of §170(f) still applies for CWA if \$250 or more + proof for cash donation of any amount + valid charity.
- Eligible property placed in service January 1 – 19, 2025, some businesses may want to argue was really January 20 or later to get 100% bonus rather than 40%.
- Likely others exist.

Observation: What practices will you put in place to avoid improper reporting?

Upcoming CalCPA Tax Bill Series on H.R. 1

- Highlights of individual and small business changes related to TCJA extensions
- SALT Cap and PTET
- R&D changes
- Clean energy credit changes for businesses
- Changes to international tax provisions
- Tips and Overtime Deductions
- Trump Accounts
- Qualified Opportunity Zones
- Health care related changes

AND – Titans of Tax year end updates will delve deeper; likely also webinars on narrow but complex topics such as QOZ, international, others.

Additional Possible Tax Legislation in 2025

- Appropriations bill to fund gov't may include tax provisions.
- Taxpayer Assistance and Service Act
 - Sponsored by Senators Crapo and Wyden
 - Many ideas are from IRS National Taxpayer Advocate
 - <https://www.taxpayeradvocate.irs.gov/news/nta-blog/senate-finance-committee-chairman-crapo-and-ranking-member-wyden-release-discussion-draft-of-taxpayer-assistance-and-service-act/2025/01/>
- Senator Lummis digital assets bill with tax changes
 - <https://www.lummis.senate.gov/press-releases/lummis-unveils-digital-asset-tax-legislation/>
- Possible renewal of WOTC which expires 12/31/25
- Others?